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## Legally Speaking-Who Controls Electronic Rights-The Writer or the Publisher?

Lloyd Rich

Anne F. Jennings  
*Sinkler & Boyd*

Jack G. Montgomery  
*University of Missouri*

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# Legally Speaking — Who Controls Electronic Rights — The Writer or the Publisher?

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The increased importance of electronic publishing requires publishers and writers to pay greater attention to electronic rights issues. Thus, most contemporary publishing contracts, at least those where at least the writer or the publisher was represented by counsel, contain some reference to

**“... any ambiguity in a contract is usually construed against the party that prepared the contract ...”**

“electronic rights.” One difficulty that exists is that even though most writers and publishers are familiar with elec-

tronic rights, or “e-rights” as they are commonly referred to, neither the publishing industry, legal profession or the courts have defined with specificity the meaning or scope of e-rights. Courts will therefore analyze the language of individual publishing contracts, at least until an industry standard defining e-rights has been accepted, to determine whether the licensor or licensee fully controls or has limited control of specific e-rights in any given situation. This situation makes it essential for the writer and publisher to explain in the publishing contract what they specifically intend e-rights to include.

## Definition of e-rights

Since technology is changing so rapidly it is not possible to provide a precise definition of e-rights. E-rights may currently include the right to place a literary work:

- in an online database retrieval system;
- in whole or in part, on a CD-ROM (Compact Disk -- Read Only Memory);
- in whole or in part, on a DVD (Digital Video Disk);
- on the Internet;
- on a Website on the World Wide Web; and;
- on an electronic bulletin board such as those included with services such as America Online, CompuServe, and Prodigy.

Because this list of e-rights is not comprehensive, publishing contracts often contain a “future technology clause” that grants to the publisher or third party licensee the right to exploit a work in “all media now known or hereafter conceived or created.” The purpose of the future technology clause is to try to ensure that e-rights include the right to create a derivative work in a technology that may not have been developed or even contemplated at the time the parties signed the contract. Today, for example, book publishers are discussing the feasibility of “electronic publishing on demand.” This would be a new form of marketing and distribution for primarily backlist or limited market titles that permits a customer to order a book of his or her choice from a publisher’s catalog and have the text transmitted in digital form from a computer database to a remote printer in a retail bookstore or other location. Therefore, any future definition of the term e-rights might have to include electronic publishing on demand. Conceivably there may be no limit to the scope of what rights may be included in e-rights.

The constantly changing and broadening definition of e-rights has in some instances exacerbated the conflict between publishers and writers over the exploitation of rights. Publishers, to ensure their ability to commercialize literary properties to their full extent, and because they cannot predict the future, should incorporate a future technology clause in their publishing contract. On the other hand, writers will frequently object to the inclusion of the all-encompassing future technology clause.

Courts do not, however, all interpret the future technology clause uniformly. Different interpretations of this clause may occur, especially if there is a great difference in bargaining power between the parties. Therefore, the publisher should not rely entirely on the future technology clause as the sole basis for the writer’s grant of e-rights to the publisher.

On many occasions a court will look beyond the future technology clause and evaluate the entire contract to determine the intent of the parties. This makes it imperative for the publisher to include within the grant of rights clause a detailed description of the specific rights granted by the writer. The detailed grant of rights clause is also helpful in that it provides both the publisher and writer with a clearer understanding of their e-rights obligations. Therefore, it is recommended that the grant of rights clause should enumerate the specific e-rights as explicitly as possible and, at least from the

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publisher's standpoint, be reinforced with a future technology clause. It should also be remembered that it is a general rule of law that any ambiguity in a contract is usually construed against the party that prepared the contract, which in the case of publishing contracts is normally the publisher, and that it is the responsibility of the licensee to specify the medium to which a license extends, even if such medium has not as yet been developed.

#### **Court Interpretations of Future Technologies**

Judicial interpretation of future technologies and whether a "new use" was contemplated at the time the writer and publisher signed the contract is not a recent phenomenon. Courts for many years have interpreted entertainment industry contracts, including publishing, to determine whether a grant of rights for an existing use included a grant of rights for a new use. Some examples include whether a (1) motion picture grant included a grant for "talkies," (2) motion picture grant included a grant for television rights, and (3) grant for television included a grant for videocassette rights. These cases are illustrative because they reveal that the only way publishers can protect their rights with any degree of certainty is by making sure that the grant of rights clause explicitly deals with e-rights and future technologies in an unambiguous manner.

An important case involving an ambiguous grant of rights is *Bartsch v. Metro-Goldwyn-Mayer, Inc.*,<sup>1</sup> where the court held that a broad grant of motion picture rights included television rights. The court decided that television, even though in a nascent stage, had been developed at the time the contract was negotiated. Reasoning that it was "possible" for the contracting parties to have known about television, the court concluded that the grant of motion picture rights included television rights. The court found this solution to be more equitable than attempting to ascertain the intent of the parties, nearly forty years previously, when the contract was executed.

In another important case, *Cohen v. Paramount Pictures Corp.*,<sup>2</sup> the court held that a license to exhibit a film "by way of television" did not include videocassette rights. Reasoning that because videocassettes were made available to the public by a completely different means than television -- television required a station or cable to send its signals into consumers' homes while videocassettes were avail-

able for rental or for sale and did not require a station or cable to view them -- the court concluded that the grant of television rights did not include a grant of videocassette rights. The court also relied upon the fact that VCRs had not yet been invented at the time the parties executed the contract.

The *Bartsch* and *Cohen* decisions seem to indicate that if a publishing contract contained an ambiguous clause, but if the technology had been invented at the time the contract was written, that a court would hold that the new technology and new use should be recognized as being included in the original grant of rights. Conversely, if the technology had not been invented at the time a contract was written, the technology and new use would not be recognized as having been included in the original grant of rights.

However, the above generalization does not always hold true. For example, in *Rey v. Lafferty*,<sup>3</sup> the court decided in favor of the author that videocassette rights for the Curious George books were not included within the grant of television rights even though videocassettes and

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### ***"E-rights currently stand at an intersection of developing law and constantly changing technology."***

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VCRs existed at the time the contract was executed. The court based its decision on the fact that "television viewing" and "videocassette viewing" are not "coextensive terms"; the "general tenor" of the contract, which to the court indicated that the author did not intend to give away the videocassette rights; the fact that the licensee who prepared the contract was a professional investment firm accustomed to licensing agreements; and that the author was an "unsophisticated" party -- an elderly woman who did not participate in preparing the contract.

In conclusion, there is no way to predict with certainty how a court will determine a future technology or new use case. Therefore, the best way to protect e-rights in the publishing contract, whether as the publisher or writer, is to explicitly enumerate them in the grant of rights clause and backup this protection by the inclusion of a future technology clause.


#### **Consequences of Ignoring E-Rights**

The *New York Times* in 1995 announced its intention to retain all e-rights of its freelance writers. This policy would give the newspaper e-rights without additional compensation to, or specific authorization from, the writers.

The *New York Times'* announcement caused uproar within the writer community. **Jonathan Tasini**, a freelance writer

for, among others, The *New York Times*, initiated a class action lawsuit against the newspaper and other publishers for copyright infringement. The lawsuit alleged that the publishers, by including his writings in electronic databases, went beyond the scope of the grant of rights clause, since the agreements did not include a grant of e-rights to the publishers.

*Tasini*<sup>4</sup> was recently decided, whereby the court found that the revision right held by the publishers of a collective work under §201(c) of the Copyright Act included the right to republish a collective work, such as a newspaper or magazine, in electronic media, including online databases and CD-ROM products. The *Tasini* decision does not in the least resolve the issue of e-rights. However, if nothing else, the *Tasini* case points out the danger that is inherent in not negotiating the issue of e-rights. Litigation is always expensive, time-consuming and uncertain and it should not be the manner by which any party should want their e-rights determined.

E-rights currently stand at an intersection of developing law and constantly changing technology. Suffice it to say, much uncertainty will remain until e-rights are defined with greater specificity than they are today, if that is possible. Therefore, the best way for the publisher and writer to handle the e-rights issue is to negotiate the issue fully and include their specific intent, with as much detail and clarity, in the grant of rights clause. This is essential because the courts, if called upon to determine an e-rights issue, may also attempt to ascertain the intent of the parties. Therefore, to prevent future e-rights problems the parties should make clear their intent. 

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*This article is not legal advice. You should consult an attorney if you have legal questions that relate to your specific publishing issues and projects. Lloyd L. Rich is an attorney practicing publishing and intellectual property law. He can be reached at 1163 Vine Street, Denver, CO 80206. Phone: (303) 388-0291; FAX: (303) 388-0477; E-Mail: rich@csn.net. Mr. Rich's "World Wide Web" site may be found at <http://www.publaw.com>. Stop by for a visit. The research for this article was provided by Jennifer L. Fountain a third year student at the University of Denver School of Law.*

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#### **Endnotes**

1 391 F.2d 150 (2nd Cir. 1968), cert. denied, 393 U.S. 826 (1968).

2 845 F.2d 851 (9th Cir. 1988).

3 990 F.2d 1379 (1st Cir. 1993), cert. denied 510 U.S. 828 (1993).

4 *Tasini v. New York Times*, DC SNY, No. 93 Civ. 8678 (SS), 8/13/97.